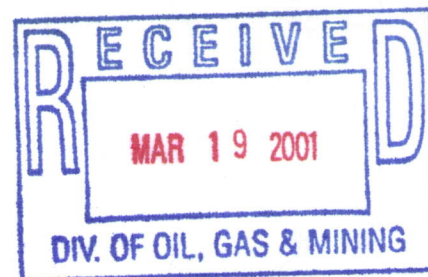


m/043/004



**UTELITE CORPORATION**

**Financial Statements**

**For the Year Ended December 31, 2000**

# UTELITE CORPORATION

## Table of Contents

Accountant's Review Report.....	1
---------------------------------	---

### Financial Statements:

Statement of Assets, Liabilities & Equity--Income Tax Basis, for the Year Ended December 31, 2000.....	2
---	---

Statement of Revenues and Expenses--Income Tax Basis for the Year Ended December 31, 2000.....	4
---	---

Statement of Cash Flows--Income Tax Basis for the Year Ended December 31, 2000.....	5
--	---

Statement of Retained Earnings--Income Tax Basis for the Year Ended December 31, 2000.....	7
---	---

Notes to Financial Statements.....	8
------------------------------------	---

To the Board of Directors  
**UTELITE CORPORATION**  
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **UTELITE CORPORATION** (an S corporation) as of December 31, 2000, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **UTELITE CORPORATION**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.

**LYNN M. CARLSON & CO.**

March 12, 2001

**UTELITE CORPORATION**

**STATEMENT OF ASSETS, LIABILITIES & EQUITY--INCOME TAX BASIS**

**December 31, 2000**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	344,475
Trade Accounts Receivable		948,406
Material Inventory		232,550
Notes Receivable Shareholders--Current		<u>25,000</u>

**TOTAL CURRENT ASSETS** **1,550,431**

**PROPERTY AND EQUIPMENT**

Land	416,779
Buildings, Structures & Land Improvements	517,551
Plant Machinery & Equipment	4,765,387
Pollution Control Equipment	606,457
Machinery	1,194,936
Autos, Trucks, Trailers	102,440
Office Equipment	31,723
Less Accumulated Depreciation	<u>(5,751,122)</u>
	<b>1,884,151</b>

**OTHER ASSETS**

Notes Receivable Shareholders--LT	162,229
Assets in Progress	<u>87,904</u>
	<u><b>250,133</b></u>
	<u><b>\$ 3,684,715</b></u>

## **LIABILITIES AND STOCKHOLDERS' EQUITY**

### **CURRENT LIABILITIES**

Accounts Payable	\$	231,659
Accrued Payroll Taxes		4,990
Notes Payable--Current		<u>247,157</u>

**TOTAL CURRENT LIABILITIES** **483,806**

### **LONG TERM LIABILITIES**

Notes Payable--LT		<u>357,492</u>
-------------------	--	----------------

**TOTAL LIABILITIES** **841,298**

### **STOCKHOLDERS' EQUITY**

Common Stock, Par Value \$1.00		164,757
500,000 Shares Authorized		
164,758 Shares Issued, of which		
49,690 are held in Treasury		
Premium on Capital Stock		235,415
Treasury Stock		(49,370)
Retained Earnings		<u>2,492,615</u>
		<u>2,843,417</u>
	\$	<u><u>3,684,715</u></u>

**UTELITE CORPORATION**  
**STATEMENT OF REVENUE AND EXPENSES--INCOME TAX BASIS**  
**For the Year Ended December 31, 2000**

<b>SALES</b>	<b>\$ 7,408,033</b>
<b>COST OF SALES</b>	
Inventory Adjustment & Purchases	(170,079)
Direct Labor	1,268,863
Plant Power & Utilities	147,654
Kiln Fuel	601,733
Delivery Expense	2,553,193
Small Tools	9,955
Supplies	47,903
Repairs & Maintenance	699,961
Fuel & Oil	156,030
Raw Material Royalties	71,143
Contract Mining	95,810
Lab & Testing	2,590
MSHA	5,433
Air Pollution	10,328
	<u>5,500,517</u>
<b>GROSS PROFIT</b>	<b>1,907,516</b>
<b>EXPENSES</b>	
Marketing & Promotions	26,602
Employee Benefits	151,718
Payroll Taxes	91,670
Advertising	11,828
Travel & Sales	10,060
Insurance	39,853
Telephone	14,409
Legal & Professional	35,829
Office Supplies & Postage	20,981
Taxes & Licenses	38,705
Auto Allowance & Expense	21,183
Miscellaneous & Bank Charges	19,468
Dues & Subscriptions	22,268
Training	14,879
Depreciation	544,553
Rents & Leases	101,308
ESCSI	23,610
Depletion	137,447
	<u>1,326,371</u>
<b>INCOME FROM OPERATIONS</b>	<b>581,145</b>
<b>OTHER INCOME (EXPENSE)</b>	
Interest & Dividend Income	17,421
Gain or (Loss) on Sale of Assets	(6,540)
Interest Expense	(53,553)
	<u>(42,672)</u>
<b>NET INCOME \$</b>	<b><u>538,473</u></b>

See accountant's report and notes to financial statements.

**UTELITE CORPORATION**  
**STATEMENT OF CASH FLOWS—INCOME TAX BASIS**  
**For the Year Ended December 31, 2000**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from customers	\$	7,495,134
Interest and dividends received		17,421
Other operating receipts		0
Cash paid to suppliers and employees		(6,335,159)
Interest paid		(53,553)
Net cash provided (used) by operating activities		<u>1,123,843</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Cash payments for the purchase of property		(547,696)
Cash proceeds from the sale of property		0
Net cash provided (used) by investing activities		<u>(547,696)</u>

**CASH FROM FROM FINANCING ACTIVITIES:**

Proceeds from issuance of long-term debt		145,068
Net borrowings on line of credit		0
Principal payments on long-term debt		(311,884)
Dividends paid		(449,999)
Net cash provided (used) by financing activities		<u>(616,815)</u>

Net increase (decrease) in cash and equivalents		<u>(40,668)</u>
Cash and equivalents, beginning of year		385,143
Cash and equivalents, end of year	\$	<u><u>344,475</u></u>

**Supplemental disclosures of cash flow information:**

Cash paid during the year for:

Interest expense	53,553
------------------	--------

**Reconciliation of net income to net cash  
provided by operating activities**

Net Income	\$ 538,473
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	682,000
(Gain) loss on disposal of property	6,540
(Increase) decrease in accounts receivable	87,101
(Increase) decrease in prepaid expenses	0
(Increase) decrease in inventories	(177,579)
(Increase) decrease in other assets	0
Increase (decrease) in accounts payable	(12,671)
Increase (decrease) in accrued liabilities	(21)
Total adjustments	585,370
Net cash provided (used) by operating activities	\$ 1,123,843

**UTELITE CORPORATION**  
**STATEMENT OF RETAINED EARNINGS--INCOME TAX BASIS**  
**For the Year Ended December 31, 2000**

**ACCUMULATED ADJUSTMENTS ACCOUNT**

Balance, January 1, 2000	\$	881,452
Taxable Income		538,473
Distributions		<u>(449,999)</u>
<b>Balance, December 31, 2000</b>		<b>969,926</b>

**PREVIOUSLY TAXED INCOME**

Balance, January 1, 2000		20,216
Distributions in Excess of the Accumulated Adjustments Account		<u>0</u>
<b>Balance, December 31, 2000</b>		<b>20,216</b>

**OTHER RETAINED EARNINGS**

Balance, January 1, 2000		1,502,473
		<u>0</u>
<b>Balance, December 31, 2000</b>		<b>1,502,473</b>

<b>TOTAL RETAINED EARNINGS, DECEMBER 31, 2000</b>	<b>\$</b>	<b><u><u>2,492,615</u></u></b>
---	-----------	--------------------------------

**UTELITE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Accountant's Report)

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of utelite corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial statements.

**Income Tax Basis of Accounting**

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

**Income Taxes**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Allowance for Doubtful Accounts**

No reserve for bad debt has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

**Inventories**

Inventories are valued at the lower of cost or market under the first-in, first-out, (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

**Depreciation**

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

**Cash**

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

**UTELITE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Accountant's Report)

**NOTE 2--PROFIT SHARING PLAN**

The company maintains a 401(k) retirement plan for its employees. Company contributes a base 1% of all qualified participant's salary to the plan and will match up to 2% of any qualified participant's elective contributions. Additional discretionary contributions from the company are allowed.

Retirement plan contributions expensed as an employee benefit in these financial statements are \$36,810.89.

The company also provides a fringe benefit cafeteria plan for its employees.

**NOTE 3--LONG-TERM DEBT**

Long-term debt at December 31, 2000, consisted of the following:

2000

A note payable due First Security Leasing, pursuant to a Master Equipment Loan and Security Agreement dated January 16, 1996. The terms and interest rate were adjusted as of June 11, 1999. The note has a five-year term, monthly principal and interest payments of \$15,285.87 and bears an interest rate of 7.40%. The proceeds from this loan were used to finance a major plant expansion. The Company added an additional kiln and the supporting equipment required to bring the kiln into production. The loan is secured by all the equipment and fixtures at the plant site.

\$ 423,693

Interest Expense on this loan in the amount of \$44,541.59 has been deducted in these financial statements.

A trust deed note payable due Elden F. and Juanita Lee B. Stenbridge, incurred June 30, 1998. This note has a three-year term, annual principal and interest payments of \$13,787.41 and bears an interest rate of 9.0%. This trust deed note is secured by an undivided 38.8888% interest in a tract of land in Summit County.

\$ 12,484

Interest expense on this loan in the amount of \$2,163.71 has been deducted in these financial statements.

A trust deed note payable due Thomas Edward Brown, Jr., incurred June 30, 1998. This note has a three-year term, annual principal and interest payments of \$5,925.82 and bears an interest rate of 9.0%. This trust deed note is secured by an undivided 16.6666% interest in a tract of land in Summit County.

\$ 5,365

Interest expense on this loan in the amount of \$929.96 has been deducted in these financial statements.

A trust deed note payable due Geraldine B. Ercanbrack, Trustee of the Geraldine B. Ercanbrack Revocable Trust, incurred June 30, 1998. This note has a three-year term, annual principal and interest payments of \$1,975.27 and bears an interest rate of 9.0%. This trust deed note is secured by an undivided 5.5555% interest in a tract of land in Summit County.

\$ 1,788

Interest expense on this loan in the amount of \$309.99 has been deducted in these financial statements.

A trust deed note payable due Arlene E. Gibbons, incurred June 30, 1998. This note has a three-year term, annual principal and interest payments of \$6,933.21 and bears

**UTELITE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Accountant's Report)

an interest rate of 9.0%. This trust deed note is secured by an undivided 19.4333% interest in a tract of land in Summit County. \$ 6,278

Interest expense on this loan in the amount of \$1,088.06 has been deducted in these financial statements.

An installment sale contract due Caterpillar Financial Services Corporation, incurred May 1, 1999. This contract has a twelve-month term, monthly principal payments of \$20,607.83 and no interest if contract paid within twelve-month period. This contract is secured by a 1999 Model 966G Caterpillar wheel loader. \$ 11,141

There is no interest expense on this loan deducted in these financial statements.

A Security Agreement and Conditional Sales Contract due Komatsu Financial, incurred October 18, 2000. This contract has a 24-month term, monthly principal and interest payments of \$7,191.95 and bears an interest rate of 4.6143768%. This contract is secured by a Komatsu PC400LC-6 hydraulic excavator equipment standard and with 27.6" shoes, air conditioning, additional hydraulics and 78" Entek bucket. \$ 143,900

Interest expense on this loan in the amount of \$1,526.61 has been deducted in these financial statements.

Total Debt	604,649
Less Current Portion	( 247,157)
Long-Term Debt	<u>\$ 357,492</u>

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2002	244,528
2003	<u>112,964</u>
	<u>\$ 357,492</u>

**NOTE 4--RELATED PARTY TRANSACTIONS**

Notes and other receivables at December 31, 2000 were due from the following related parties:

5% note receivable from a stockholder	\$ 162,229
9.25% note receivable from a stockholder-current	<u>25,000</u>
	<u>\$ 187,229</u>

**NOTE 5--BUY/SELL AGREEMENT**

The Company has entered into an agreement with its four stockholders that obligates the Company, upon the death of a stockholder, to purchase the deceased stockholder's stock in the Company. The purchase price is established by formula.

**UTELITE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
(See Accountant's Report)

**NOTE 6--CONTINGENT LIABILITIES**

Eight years ago a lawsuit was brought against Summit County and Summit County Planning Commission for improperly issuing a permit to the Company allowing them to build a rail loading facility in a certain location. In 1994, the Company was named as a defendant in that lawsuit.

As a result of a ruling in that lawsuit, the Company has paid \$15,000 to the Clerk of the Court to be held in escrow pending plaintiffs' appeal of that judgment. In February, 2001 the Utah Supreme Court ruled in the Company's favor. Plaintiff's immediately filed an appeal to the Utah Supreme Court for a re-review of their decision. Attorneys for the Company are of the opinion that a re-review is rarely granted.

Although no assurances can be given as to the outcome, the Company believes that it has meritorious defenses to such lawsuit. The Company does not believe that the outcome of such proceeding or the pending appeal will have a material effect on its financial position.

**NOTE 7--CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Company maintains cash balances at one financial institution located in Utah. Accounts at the institution are insured by the Federal deposit Insurance Corporation up to \$100,000. At December 31, 2000, the Company's uninsured cash balances total \$244,475.

Concentrations of credit with respect to trade receivables are limited due to the number of customers comprising the Company's customer base and ongoing credit evaluations of its customers' financial condition.